

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Year Ended December 31, 2009



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2009**

Office	Name	Term Expires
Commissioners		
1st District	John Blaufuss	January 2013
2nd District	Stephanie Miranowski	January 2011
3rd District	Lyle Hovland*	January 2013
4th District	Neal Folstad	January 2011
5th District	Robert Perry	January 2013
Officials		
Elected		
Attorney	Timothy Fox	January 2011
Auditor	Wayne Bezenek	January 2011
County Recorder	Renae Niemi	January 2011
Registrar of Titles	Renae Niemi	January 2011
Sheriff	Thomas Matejka	January 2011
Treasurer	Rose Ann Hulne	January 2011
Appointed		
Assessor	Cheryl Wall	July 2013
Highway Engineer	Thomas Richels	May 2011
Medical Examiner	Dr. Gregory A. Smith	Indefinite
Veterans Service Officer	Ron Verhaagen	November 2013
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Vernon Woytassek	Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wilkin County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Wilkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.C., Wilkin County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkin County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2010, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

As management of Wilkin County, Minnesota, we offer the readers of the Wilkin County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Wilkin County exceeded its liabilities on December 31, 2009, by \$46,969,128. Of this amount, \$6,069,994 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2009, Wilkin County's governmental funds reported combined ending fund balances of \$5,942,680, an increase of \$1,413,929 in comparison with 2008. Of this balance amount, \$5,125,411 was unreserved by Wilkin County and thus available for spending at the government's discretion.
- At the end of 2009, unreserved fund balance of the General Fund was \$2,295,369, or 65 percent, of the total General Fund expenditures for that year.
- The County had general obligation bonds in the amount of \$3,150,000 at the end of 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Wilkin County's basic financial statements. The County's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of Wilkin County's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (example: uncollected taxes and earned but unused vacation leave).

Wilkin County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Wilkin County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest.

The government-wide statements can be found as Exhibits 1 and 2 of this report.

Fund Level Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Wilkin County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Wilkin County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wilkin County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Environmental Special Revenue Fund, Public Health Nurse Special Revenue Fund, and Courthouse Improvement Debt Service Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of Wilkin County. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support Wilkin County's own programs or activities. The accounting for fiduciary funds is much like that used for the government-wide statements.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

Other information is provided in supplementary information schedules on Wilkin County's budgeted funds, deposits and investments, ditch balances, and intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wilkin County's assets exceeded liabilities by \$46,969,128 at the close of 2009. The largest portion of the County's net assets (85 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not for future spending or for liquidating any remaining debt.

	Net Assets	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 7,764,861	\$ 6,828,164
Capital assets	<u>43,281,391</u>	<u>44,687,545</u>
Total Assets	<u>\$ 51,046,252</u>	<u>\$ 51,515,709</u>
Long-term liabilities	\$ 3,611,996	\$ 3,865,007
Other liabilities	<u>465,128</u>	<u>1,740,158</u>
Total Liabilities	<u>\$ 4,077,124</u>	<u>\$ 5,605,165</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 39,980,692	\$ 41,118,727
Restricted	918,442	652,367
Unrestricted	<u>6,069,994</u>	<u>4,139,450</u>
Total Net Assets	<u>\$ 46,969,128</u>	<u>\$ 45,910,544</u>

The unrestricted net assets amount of \$6,069,994 as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wilkin County's activities increased Wilkin County's net assets during 2009 by \$1,058,584. A key element in this increase is due to a decrease in liabilities.

Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	\$ 2,149,627	\$ 1,744,265
Operating grants and contributions	6,425,273	4,944,152
Capital grants and contributions	142,367	140,669
General revenues		
Property taxes	5,253,488	4,967,397
Other taxes	8,556	8,764
Grants and contributions not restricted	868,846	817,415
Other general revenues	131,958	200,828
Total Revenues	<u>\$ 14,980,115</u>	<u>\$ 12,823,490</u>
Expenses		
General government	\$ 1,806,137	\$ 1,710,028
Public safety	1,573,732	1,491,168
Highways and streets	6,278,842	4,826,510
Sanitation	307,261	371,840
Human services	2,341,260	2,601,172
Health	700,597	720,537
Culture and recreation	66,844	56,797
Conservation of natural resources	714,981	387,831
Economic development	800	800
Interest	131,077	137,294
Total Expenses	<u>\$ 13,921,531</u>	<u>\$ 12,303,977</u>
Increase in Net Assets	\$ 1,058,584	\$ 519,513
Net Assets - January 1	<u>45,910,544</u>	<u>45,391,031</u>
Net Assets - December 31	<u>\$ 46,969,128</u>	<u>\$ 45,910,544</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Wilkin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, Wilkin County's governmental funds reported combined ending fund balances of \$5,942,680, an increase of \$1,413,929 in comparison with the prior year. Of the ending fund balance, \$5,125,411 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is a chief operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$2,295,369. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 65 percent of total General Fund expenditures. In 2009, ending fund balance in the General Fund decreased by \$138,866.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$884,069 at year-end represents 17 percent of expenditures. Fund balance increased \$1,342,027 due to excess revenues over expenditures.

The Human Services Special Revenue Fund's unreserved fund balance of \$1,274,498 at year-end represents 54 percent of the fund's annual expenditures. Fund balance increased \$439,106 during 2009 due to excess revenues over expenditures.

General Fund Budgetary Highlights

The Wilkin County Board of Commissioners did not make any budgetary amendments/revisions in 2009.

Actual revenues exceeded budgeted revenues by \$6,517, primarily due to increases in intergovernmental revenues.

Actual expenditures are greater than budgeted expenditures by \$112,383 due to increased spending in public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2009, totaled \$43,281,391 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

	Governmental Capital Assets (Net of Depreciation)	
	2009	2008
Land	\$ 1,051,043	\$ 1,051,043
Infrastructure	34,740,775	35,959,490
Buildings	6,004,091	6,179,451
Improvements other than buildings	48,820	53,339
Machinery, furniture, and equipment	1,350,165	1,397,872
Construction in progress	86,497	46,350
Total	<u>\$ 43,281,391</u>	<u>\$ 44,687,545</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$3,150,000.

	2009	2008
General obligation bonds	<u>\$ 3,150,000</u>	<u>\$ 3,355,000</u>

The County debt related to general obligation bonds decreased by \$205,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2009 was 6.1 percent. This compares favorably with the state unemployment rate of 7.2 percent and shows an increase from the 4.4 percent rate at the end of 2008.

By the end of 2009, Wilkin County approved its balanced 2010 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wilkin County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Wilkin County Auditor, 300 South 5th Street, Breckenridge, Minnesota 56520.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Assets

Cash and pooled investments	\$	5,309,444
Taxes receivable		
Current - net		37,035
Prior - net		25,510
Special assessments receivable		
Current - net		774
Prior - net		37
Deferred - net		646,371
Accounts receivable - net		95,639
Accrued interest receivable		17,665
Due from other governments		1,334,139
Inventories		245,098
Advance to other governments		5,815
Deferred charges		47,334
Capital assets		
Non-depreciable		1,137,540
Depreciable - net of accumulated depreciation		42,143,851
		42,143,851
Total Assets	\$	51,046,252

Liabilities

Accounts payable	\$	206,957
Salaries payable		30,971
Due to other governments		84,174
Accrued interest payable		56,676
Unearned revenue		86,350
Long-term liabilities		
Due within one year		501,563
Due in more than one year		3,110,433
		3,110,433
Total Liabilities	\$	4,077,124

Net Assets

Invested in capital assets - net of related debt	\$	39,980,692
Restricted for		
General government		73,412
Public safety		272,179
Highways and streets		469,247
Economic development		100,000
Held in trust for other purposes		3,604
Unrestricted		6,069,994
		6,069,994
Total Net Assets	\$	46,969,128

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 1,806,137	\$ 187,108	\$ 40,527	\$ -
Public safety	1,573,732	213,478	531,070	-
Highways and streets	6,278,842	537,778	4,428,957	141,767
Sanitation	307,261	174,817	-	-
Human services	2,341,260	166,070	1,043,970	-
Health	700,597	222,998	242,211	-
Culture and recreation	66,844	-	-	600
Conservation of natural resources	714,981	647,378	138,538	-
Economic development	800	-	-	-
Interest	131,077	-	-	-
Total Governmental Activities	\$ 13,921,531	\$ 2,149,627	\$ 6,425,273	\$ 142,367
 General Revenues				
Property taxes				\$ 5,253,488
Gravel taxes				8,556
Payments in lieu of tax				31,264
Grants and contributions not restricted to specific programs				868,846
Investment income				75,044
Miscellaneous				25,650
Total general revenues				\$ 6,262,848
Change in net assets				\$ 1,058,584
Net Assets - Beginning				45,910,544
Net Assets - Ending				\$ 46,969,128

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 2,408,213	\$ 507,132
Petty cash and change funds	3,000	100
Undistributed cash in agency funds (taxes and other)	38,215	15,522
Taxes receivable		
Current	16,035	7,667
Prior	11,002	5,685
Special assessments		
Current	-	-
Prior	-	-
Deferred	-	-
Accounts receivable	15,908	47,879
Accrued interest receivable	17,665	-
Due from other funds	12,839	103,458
Due from other governments	179,590	885,695
Advance to other funds	309,000	-
Advance to other governments	-	5,815
Inventories	-	245,098
	\$ 3,011,467	\$ 1,824,051
Total Assets	\$ 3,011,467	\$ 1,824,051

EXHIBIT 3

Human Services	Ditch	Other Governmental Funds	Total Governmental Funds
\$ 1,233,876	\$ 217,118	\$ 847,134	\$ 5,213,473
-	-	5,000	8,100
18,954	5,112	10,068	87,871
9,364	-	3,969	37,035
6,182	-	2,641	25,510
-	774	-	774
-	37	-	37
-	646,371	-	646,371
9,857	-	21,995	95,639
-	-	-	17,665
431	-	11,070	127,798
127,996	-	140,546	1,333,827
-	-	-	309,000
-	-	-	5,815
-	-	-	245,098
\$ 1,406,660	\$ 869,412	\$ 1,042,423	\$ 8,154,013

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 29,371	\$ 94,755
Salaries payable	9,121	11,496
Due to other funds	10,942	1,101
Due to other governments	50,209	561
Deferred revenue - unavailable	167,260	462,007
Deferred revenue - unearned	-	17,018
Advance from other funds - governmental	-	-
	\$ 266,903	\$ 586,938
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 245,098
Real estate tax shortfall	21,330	-
Highway projects	-	107,946
Gravel pit restoration	-	-
Missing heirs	3,604	-
Economic development	100,000	-
Recorder's compliance fund	16,235	-
Recorder's equipment purchases	35,847	-
Enhanced 911	272,179	-
Unreserved		
Designated for future expenditures	128,725	-
Designated for cash flows	1,466,690	-
Undesignated	699,954	884,069
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
	\$ 2,744,564	\$ 1,237,113
Total Fund Balances	\$ 2,744,564	\$ 1,237,113
Total Liabilities and Fund Balances	\$ 3,011,467	\$ 1,824,051

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 71,125	\$ 910	\$ 10,796	\$ 206,957
6,909	-	3,445	30,971
18,423	94,766	2,254	127,486
18,159	3,492	11,753	84,174
17,546	647,061	72,521	1,366,395
-	-	69,332	86,350
-	309,000	-	309,000
\$ 132,162	\$ 1,055,229	\$ 170,101	\$ 2,211,333
\$ -	\$ -	\$ -	\$ 245,098
-	-	-	21,330
-	-	-	107,946
-	-	15,030	15,030
-	-	-	3,604
-	-	-	100,000
-	-	-	16,235
-	-	-	35,847
-	-	-	272,179
-	-	-	128,725
-	-	-	1,466,690
1,274,498	(185,817)	-	2,672,704
-	-	731,612	731,612
-	-	125,680	125,680
\$ 1,274,498	\$ (185,817)	\$ 872,322	\$ 5,942,680
\$ 1,406,660	\$ 869,412	\$ 1,042,423	\$ 8,154,013

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)		\$ 5,942,680
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		43,281,391
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,366,395
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,150,000)	
Capital leases	(131,948)	
Other postemployment benefits	(21,977)	
Bond premium	(18,751)	
Deferred charges	47,334	
Accrued interest payable	(56,676)	
Compensated absences	(289,320)	
	(3,621,338)	(3,621,338)
Net Assets of Governmental Activities (Exhibit 1)		<u><u>\$ 46,969,128</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,291,198	\$ 1,084,720
Special assessments	-	-
Licenses and permits	9,995	-
Intergovernmental	582,047	4,906,284
Charges for services	355,573	433,540
Fines and forfeits	11,278	-
Gifts and contributions	-	600
Investment earnings	83,096	-
Miscellaneous	49,390	108,283
	\$ 3,382,577	\$ 6,533,427
Expenditures		
Current		
General government	\$ 1,729,353	\$ -
Public safety	1,560,113	-
Highways and streets	-	4,845,800
Sanitation	-	-
Human services	-	-
Health	4,998	-
Culture and recreation	55,225	9,255
Conservation of natural resources	170,954	-
Economic development	800	-
Intergovernmental		
Highways and streets	-	273,207
Conservation of natural resources	-	-
Debt service		
Principal	-	61,427
Interest	-	9,388
Administrative (fiscal) charges	-	-
	\$ 3,521,443	\$ 5,199,077

EXHIBIT 5

Human Services	Ditch	Other Governmental Funds	Total
\$ 1,316,109	\$ -	\$ 560,424	\$ 5,252,451
-	219,568	-	219,568
-	-	600	10,595
1,296,038	-	460,772	7,245,141
138,891	-	269,087	1,197,091
3,076	-	-	14,354
-	-	679	1,279
-	-	-	83,096
24,103	-	100,005	281,781
\$ 2,778,217	\$ 219,568	\$ 1,391,567	\$ 14,305,356
\$ -	\$ 1,591	\$ -	\$ 1,730,944
-	-	-	1,560,113
-	-	-	4,845,800
-	-	268,929	268,929
2,339,111	-	-	2,339,111
-	-	692,212	697,210
-	-	-	64,480
-	410,400	32,829	614,183
-	-	-	800
-	-	-	273,207
-	99,705	-	99,705
-	-	205,000	266,427
-	-	128,404	137,792
-	-	403	403
\$ 2,339,111	\$ 511,696	\$ 1,327,777	\$ 12,899,104

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge
Change in Fund Balances	\$ (138,866)	\$ 1,334,350
Fund Balances - January 1	2,883,430	(104,914)
Increase (decrease) in reserved for inventories	-	7,677
Fund Balances - December 31	\$ 2,744,564	\$ 1,237,113

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 439,106	\$ (292,128)	\$ 63,790	\$ 1,406,252
835,392	106,311	808,532	4,528,751
-	-	-	7,677
<u>\$ 1,274,498</u>	<u>\$ (185,817)</u>	<u>\$ 872,322</u>	<u>\$ 5,942,680</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,406,252

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,366,395	
Deferred revenue - January 1	<u>(569,752)</u>	796,643

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the net book value of assets disposed of is expensed, while not reported in the fund statements.

Expenditures for general capital assets and infrastructure	\$ 569,852	
Current year depreciation	<u>(1,976,006)</u>	(1,406,154)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bonds	\$ 205,000	
Capital lease	<u>61,427</u>	266,427

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.		(2,579)
---	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 5,426	
Change in compensated absences	6,869	
Change in other postemployment benefits	(21,977)	
Change in inventories	<u>7,677</u>	<u>(2,005)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,058,584

FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2009**

<u>Assets</u>	
Cash and pooled investments	\$ 157,842
Due from other governments	<u>109</u>
Total Assets	<u><u>\$ 157,951</u></u>
 <u>Liabilities</u>	
Due to other funds	\$ 312
Due to other governments	124,103
Funds held in trust	<u>33,536</u>
Total Liabilities	<u><u>\$ 157,951</u></u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Wilkin County was established March 6, 1868, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in joint ventures, jointly-governed organizations, and a related organization, which are described in Notes 5.D., 5.E., and 5.F., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of governmental net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenue.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the financial transactions of the County drainage systems. Financing is provided by special assessments levied against benefited property owners.

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the government.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wilkin County considers all revenue as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$83,096.

Wilkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable - prior.

3. Inventories

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Improvements other than buildings	20 - 35
Infrastructure	15 - 75
Machinery, furniture, and equipment	3 - 15

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenue not considered to be available to liquidate liabilities of the current period.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, the face amount of the debt issued is reported as an other financing source.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major fund had a deficit fund balance as of December 31, 2009:

Ditch Special Revenue Fund	\$ 185,817
----------------------------	------------

The Ditch Special Revenue Fund's deficit balance will be eliminated through special assessments the County has levied on the benefited properties.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Ditch Fund Deficits

Of 35 drainage systems, 7 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2009.

Account balances	\$	132,430
Account deficits		(318,247)
Fund Balance	\$	(185,817)

For internal purposes, the County accounts for its ditches on the accrual basis. Under the full accrual basis where revenues are recognized when earned, the Ditch Special Revenue Fund reports a positive fund balance of \$461,244 with three ditches reporting a deficit.

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
General Fund	\$ 3,521,443	\$ 3,409,060	\$ 112,383
Road and Bridge Special Revenue Fund	5,199,077	3,659,100	1,539,977

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental activities		
Cash and pooled investments	\$	5,309,444
Fiduciary funds		
Cash and pooled investments		
Agency funds		157,842
Total Cash and Investments	\$	5,467,286

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better or revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirement set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2009, \$707,745 of government securities and \$961,235 of publicly traded certificates of deposit were exposed to custodial credit risk because they were held by the counterparty.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

The following table presents the County's cash and investment balances at December 31, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association	AAA	Moody's		07/07/2014	\$ 350,657
Federal National Mortgage Association	AAA	Moody's		01/15/2015	95,000
Total Federal National Mortgage Association			12.1%		\$ 445,657
Federal Home Loan Mortgage Corporation	AAA	Moody's		04/28/2014	\$ 175,510
Federal Home Loan Mortgage Corporation	AAA	Moody's		12/24/2014	199,200
Total Federal Home Loan Mortgage Corporation			10.2%		\$ 374,710
Federal Home Loan Bank	AAA	Moody's	<5%	12/08/2017	\$ 99,406
Investment pools/mutual funds					
MAGIC Fund	N/A	N/A	N/A	N/A	\$ 1,518,237
Negotiable certificates of deposit	N/A	N/A	N/A	N/A	\$ 1,249,207
Total investments					\$ 3,687,217
Deposits					1,771,969
Change funds					8,100
Total Cash and Investments					\$ 5,467,286

N/A - Not Applicable

<5% - Concentration is less than 5% of investments

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 62,545	\$ -
Special assessments	647,182	181,257
Accounts (net)	95,639	-
Interest	17,665	-
Due from other governments	1,334,139	-
Total Governmental Activities	\$ 2,157,170	\$ 181,257

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,051,043	\$ -	\$ -	\$ 1,051,043
Construction in progress	46,350	42,639	2,492	86,497
Total capital assets not depreciated	\$ 1,097,393	\$ 42,639	\$ 2,492	\$ 1,137,540
Capital assets depreciated				
Improvements other than buildings	\$ 75,716	\$ -	\$ -	\$ 75,716
Buildings	7,437,594	-	-	7,437,594
Machinery, furniture, and equipment	4,773,033	444,291	357,047	4,860,277
Infrastructure	52,534,830	85,414	-	52,620,244
Total capital assets depreciated	\$ 64,821,173	\$ 529,705	\$ 357,047	\$ 64,993,831

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Improvements other than buildings	\$ 22,377	\$ 4,519	\$ -	\$ 26,896
Buildings	1,258,143	175,360	-	1,433,503
Machinery, furniture, and equipment	3,375,161	491,998	357,047	3,510,112
Infrastructure	16,575,340	1,304,129	-	17,879,469
Total accumulated depreciation	<u>\$ 21,231,021</u>	<u>\$ 1,976,006</u>	<u>\$ 357,047</u>	<u>\$ 22,849,980</u>
Total capital assets depreciated, net	<u>\$ 43,590,152</u>	<u>\$ (1,446,301)</u>	<u>\$ -</u>	<u>\$ 42,143,851</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 44,687,545</u>	<u>\$ (1,403,662)</u>	<u>\$ 2,492</u>	<u>\$ 43,281,391</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 87,018
Public safety	212,026
Highways and streets, including depreciation of infrastructure assets	1,625,141
Human services	9,369
Health	1,777
Sanitation	38,682
Culture and recreation	1,993
Total Depreciation Expense	<u>\$ 1,976,006</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Fund	\$ 1,101
	Human Services Fund	9,743
	Environmental Fund	2
	Public Health Nurse Fund	1,455
	Debt Service Fund	226
	Agency funds	312
Total due to General Fund		\$ 12,839
Road and Bridge Fund	General Fund	\$ 8,357
	Ditch Fund	94,766
	Environmental Fund	335
Total due to Road and Bridge Fund		\$ 103,458
Human Services Fund	General Fund	\$ 195
	Public Health Nurse Fund	236
Total due to Human Services Fund		\$ 431
Environmental Fund	General Fund	\$ 1,925
Public Health Nurse Fund	General Fund	\$ 465
	Human Services Fund	8,680
Total due to Public Health Nurse Fund		\$ 9,145
Total Due To/From Other Funds		\$ 127,798

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 309,000

The purpose of the advance from the General Fund to the Ditch Special Revenue Fund is to provide cash flow for various drainage systems. The advance will be repaid in future years through the use of special assessments levied on the benefited parcels.

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities
Accounts	\$ 206,957
Salaries	30,971
Due to other governments	84,174
Total Payables	\$ 322,102

2. Deferred Revenue

Deferred revenue as of December 31, 2009, for the County is as follows:

	Deferred Unavailable	Deferred Unearned
Taxes and special assessments	\$ 705,860	\$ -
State-aid highway allotments	346,271	-
Charges for services	117,519	17,018
Grants	64,905	69,332
Interest	9,956	-
Other	121,884	-
Total Deferred Revenue	\$ 1,366,395	\$ 86,350

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. This capital lease consists of the following at December 31, 2009:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental activities Motor grader	2011	Yearly	\$ 70,815	<u>\$ 193,375</u>	<u>\$ 131,948</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2010	\$ 70,816
2011	<u>70,816</u>
Total future minimum lease payments	\$ 141,632
Less: amount representing interest	<u>(9,684)</u>
Present Value of Minimum Lease Payments	<u>\$ 131,948</u>

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
General obligation bonds					
2005 G.O. Jail Bonds	2021	\$200,000 - \$325,000	3.99	<u>\$ 3,750,000</u>	\$ 3,150,000
Add: unamortized premium					<u>18,751</u>
Total General Obligation Bonds, Net					<u>\$ 3,168,751</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 215,000	\$ 120,529
2011	220,000	112,372
2012	225,000	104,029
2013	235,000	95,404
2014	245,000	86,097
2015 - 2019	1,375,000	272,488
2020 - 2021	635,000	26,587
Total	<u>\$ 3,150,000</u>	<u>\$ 817,506</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 3,355,000	\$ -	\$ 205,000	\$ 3,150,000	\$ 215,000
Add: Unamortized premium	20,443	-	1,692	18,751	-
Total bonds payable	\$ 3,375,443	\$ -	\$ 206,692	\$ 3,168,751	\$ 215,000
Capital leases					
Motor grader	193,375	-	61,427	131,948	64,411
Compensated absences	296,189	386,311	393,180	289,320	222,152
OPEB liability	-	21,977	-	21,977	-
Total Long-Term Liabilities	<u>\$ 3,865,007</u>	<u>\$ 408,288</u>	<u>\$ 661,299</u>	<u>\$ 3,611,996</u>	<u>\$ 501,563</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Wilkin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent,

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.4 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009.

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 225,584	\$ 215,590	\$ 197,451
Public Employees Police and Fire Fund	46,440	42,411	34,975
Public Employees Correctional Fund	31,415	31,646	28,653

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

One Wilkin County Commissioner is covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 893	\$ 893
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Beginning in 2009, Wilkin County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This statement required the County to calculate and record a net OPEB obligation at December 31, 2009. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2009.

Plan Description

Wilkin County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wilkin County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2009, there were 101 participants in the plan, including two retirees and surviving spouses.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	35,590
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	35,590
Contributions made		(13,613)
		-
Increase in net OPEB obligation	\$	21,977
Net OPEB Obligation - Beginning of Year		-
		-
Net OPEB Obligation - End of Year	\$	21,977

The County's annual OPEB cost for December 31, 2009, was \$35,590. The percentage of annual OPEB cost contributed to the plan was 38.2 percent, and the net OPEB obligation for 2009 was \$21,977. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2009.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan had no funding. The actuarial accrued liability for benefits was \$297,047, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$297,047. The covered payroll (annual payroll of active employees covered by the plan) was \$3,731,784, and the ratio of the UAAL to the covered payroll was 8.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 29 years.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

B. Claims and Litigation

The County, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

D. Joint Ventures

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Regional Radio Board is composed of one Commissioner of each county appointed by the respective County Board and one City Council member from each city appointed by the respective City Council, as provided in the Central Minnesota Regional Radio Board's by-laws.

In the event of dissolution of the Central Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from Central Minnesota Regional Radio Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Control is vested in the West Central Board on Aging. The Board consists of one County Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Complete financial statements for the West Central Area Agency on Aging can be obtained from its administrative office, P. O. Box 726, Fergus Falls, Minnesota 56537.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Wilkin County Children's Collaborative

The Wilkin County Children's Collaborative was established in 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wilkin County; Wilkin County Family Service Agency; Wilkin County Public Health Nursing Service; Wilkin County Courts Services; Independent School District Nos. 846, 850, and 852; St. Mary School; St. Francis Medical Center/Hope Unit; and Clay-Wilkin Opportunity Council/Head Start. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

Control of the Wilkin County Children's Collaborative is vested in a Board of Directors, which is composed of one member appointed by each member party.

In the event of a withdrawal from the Wilkin County Children's Collaborative, the withdrawing party shall give a 90-day notice. The withdrawing party shall not be entitled to a refund of monies contributed to the Collaborative prior to the effective date of withdrawal. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Board's debts and liabilities, settling its affairs, and disposing of its remaining property.

Financing is provided by state grants and appropriations and contributions from its member parties. Wilkin County, in an agent capacity, reports the cash transactions of the Wilkin County Children's Collaborative as an agency fund on its financial statements. During 2009, the County did not contribute any funds to the Collaborative.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

E. Jointly-Governed Organizations

Wilkin County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. §§ 103D.201-.231, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Western Area City/County Co-Op

Wilkin County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county.

District IV Transportation Planning

Wilkin County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2009, Wilkin County provided \$43,825 in the form of an appropriation.

F. Related Organization

Bois De Sioux Watershed District

Wilkin County and the Bois De Sioux Watershed District entered into a joint powers agreement for the purpose of providing for the repair and maintenance of Wilkin County Ditch No. 8, which lies outside the present boundaries of the Bois De Sioux Watershed District, effective November 19, 1991, and authorized under Minn. Stat. § 103D.335, subds. 2 and 21.

REQUIRED SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,500,511	\$ 2,500,511	\$ 2,291,198	\$ (209,313)
Licenses and permits	9,250	9,250	9,995	745
Intergovernmental	335,749	335,749	582,047	246,298
Charges for services	327,750	327,750	355,573	27,823
Fines and forfeits	-	-	11,278	11,278
Investment earnings	165,000	165,000	83,096	(81,904)
Miscellaneous	37,800	37,800	49,390	11,590
Total Revenues	\$ 3,376,060	\$ 3,376,060	\$ 3,382,577	\$ 6,517
Expenditures				
Current				
General government				
Commissioners	\$ 139,957	\$ 139,957	\$ 139,365	\$ 592
County auditor	276,676	276,676	270,525	6,151
County treasurer	193,642	193,642	187,709	5,933
County assessor	217,511	217,511	212,069	5,442
Elections	-	-	10,399	(10,399)
Accounting and auditing	45,000	45,000	60,806	(15,806)
Data processing	83,920	83,920	73,385	10,535
Attorney	180,895	180,895	169,661	11,234
Law library	-	-	10,772	(10,772)
Recorder	202,944	202,944	187,770	15,174
Planning and zoning	9,000	9,000	2,601	6,399
Buildings and plant	157,467	157,467	168,404	(10,937)
Veterans service officer	78,609	78,609	75,197	3,412
GIS	37,000	37,000	53,741	(16,741)
Unallocated	115,650	115,650	106,949	8,701
Total general government	\$ 1,738,271	\$ 1,738,271	\$ 1,729,353	\$ 8,918
Public safety				
Sheriff	\$ 812,711	\$ 812,711	\$ 984,356	\$ (171,645)
Coroner	4,800	4,800	4,800	-
E-911 system	-	-	33,510	(33,510)
County jail	490,700	490,700	418,172	72,528
Probation and parole	92,173	92,173	86,187	5,986
Civil defense	25,322	25,322	33,088	(7,766)
Total public safety	\$ 1,425,706	\$ 1,425,706	\$ 1,560,113	\$ (134,407)

The notes to the required supplementary information are an integral part of this schedule.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Aging grant	\$ 998	\$ 998	\$ 998	\$ -
Rothsay Partners	1,000	1,000	1,000	-
Rural life outreach	3,000	3,000	3,000	-
Other	700	700	-	700
Total health	\$ 5,698	\$ 5,698	\$ 4,998	\$ 700
Culture and recreation				
Historical society	\$ 17,000	\$ 17,000	\$ 9,000	\$ 8,000
Regional library	43,825	43,825	43,825	-
Celebrations	1,450	1,450	400	1,050
Other	2,000	2,000	2,000	-
Total culture and recreation	\$ 64,275	\$ 64,275	\$ 55,225	\$ 9,050
Conservation of natural resources				
County extension	\$ 99,400	\$ 99,400	\$ 97,775	\$ 1,625
Soil and water conservation	58,500	58,500	58,500	-
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	8,410	8,410	6,659	1,751
Other conservation	-	-	20	(20)
Total conservation of natural resources	\$ 174,310	\$ 174,310	\$ 170,954	\$ 3,356
Economic development				
Community development	\$ 800	\$ 800	\$ 800	\$ -
Total Expenditures	\$ 3,409,060	\$ 3,409,060	\$ 3,521,443	\$ (112,383)
Excess of Revenues Over (Under) Expenditures	\$ (33,000)	\$ (33,000)	\$ (138,866)	\$ (105,866)
Other Financing Sources (Uses)				
Transfers in	18,000	18,000	-	(18,000)
Net Change in Fund Balance	\$ (15,000)	\$ (15,000)	\$ (138,866)	\$ (123,866)
Fund Balance - January 1	2,883,430	2,883,430	2,883,430	-
Fund Balance - December 31	\$ 2,868,430	\$ 2,868,430	\$ 2,744,564	\$ (123,866)

The notes to the required supplementary information are an integral part of this schedule.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,180,267	\$ 1,180,267	\$ 1,084,720	\$ (95,547)
Intergovernmental	2,037,433	2,037,433	4,906,284	2,868,851
Charges for services	340,000	340,000	433,540	93,540
Gifts and contributions	-	-	600	600
Miscellaneous	39,500	39,500	108,283	68,783
Total Revenues	\$ 3,597,200	\$ 3,597,200	\$ 6,533,427	\$ 2,936,227
Expenditures				
Current				
Highways and streets				
Administration	\$ 295,433	\$ 295,433	\$ 279,430	\$ 16,003
Maintenance	1,254,067	1,254,067	1,320,663	(66,596)
Construction	961,577	961,577	794,667	166,910
Equipment maintenance and shop	928,946	928,946	862,574	66,372
Materials and services for resale	-	-	44,582	(44,582)
Federal disaster	-	-	1,286,614	(1,286,614)
Unallocated - highways and streets	219,077	219,077	257,270	(38,193)
Total highways and streets	\$ 3,659,100	\$ 3,659,100	\$ 4,845,800	\$ (1,186,700)
Culture and recreation				
Parks	-	-	9,255	(9,255)
Intergovernmental				
Highways and streets	-	-	273,207	(273,207)
Debt service				
Principal	-	-	61,427	(61,427)
Interest	-	-	9,388	(9,388)
Total Expenditures	\$ 3,659,100	\$ 3,659,100	\$ 5,199,077	\$ (1,539,977)
Excess of Revenues Over (Under) Expenditures	\$ (61,900)	\$ (61,900)	\$ 1,334,350	\$ 1,396,250
Fund Balance - January 1	(104,914)	(104,914)	(104,914)	-
Increase (decrease) in reserved for inventories	-	-	7,677	7,677
Fund Balance - December 31	\$ (166,814)	\$ (166,814)	\$ 1,237,113	\$ 1,403,927

The notes to the required supplementary information are an integral part of this schedule.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,435,402	\$ 1,435,402	\$ 1,316,109	\$ (119,293)
Intergovernmental	1,099,955	1,099,955	1,296,038	196,083
Charges for services	132,565	132,565	138,891	6,326
Fines and forfeits	-	-	3,076	3,076
Miscellaneous	29,819	29,819	24,103	(5,716)
Total Revenues	\$ 2,697,741	\$ 2,697,741	\$ 2,778,217	\$ 80,476
Expenditures				
Current				
Human services				
Income maintenance	\$ 597,940	\$ 597,940	\$ 557,594	\$ 40,346
Social services	2,106,894	2,106,894	1,781,517	325,377
Total Expenditures	\$ 2,704,834	\$ 2,704,834	\$ 2,339,111	\$ 365,723
Net Change in Fund Balance	\$ (7,093)	\$ (7,093)	\$ 439,106	\$ 446,199
Fund Balance - January 1	835,392	835,392	835,392	-
Fund Balance - December 31	\$ 828,299	\$ 828,299	\$ 1,274,498	\$ 446,199

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$0	\$297,047	\$297,047	0.0%	\$3,731,784	8.0%

See Note 4.C., Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time as Governmental Accounting Standards Board Statement 45 was implemented in 2009.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Gravel Tax Reserve Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Wilkin County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

The following is a summary of the major special revenue funds that had expenditures in excess of budgeted expenditures for the year ended December 31, 2009.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,521,443	\$ 3,409,060	\$ 112,383
Road and Bridge Special Revenue Fund	5,199,077	3,659,100	1,539,977

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SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Environmental Fund - to account for the financial transactions of providing environmental services. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

Gravel Tax Reserve Fund - to account for the proceeds of a special gravel removal or occupation tax restricted to expenditures for the restoration of abandoned gravel pits.

Public Health Nurse Fund - to account for providing nursing service care to the elderly and other residents of the County. Financing is provided by health care service grants, County contributions, and user service charges.

DEBT SERVICE FUND

Courthouse Improvement - to account for accumulation of resources and payment of principal and interest on the general obligation jail bonds.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue (Statement B-1)	Courthouse Improvement Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 726,100	\$ 121,034	\$ 847,134
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	5,764	4,304	10,068
Taxes receivable			
Current	1,843	2,126	3,969
Prior	1,247	1,394	2,641
Accounts receivable	21,995	-	21,995
Due from other funds	11,070	-	11,070
Due from other governments	140,546	-	140,546
	\$ 913,565	\$ 128,858	\$ 1,042,423
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 10,796	\$ -	\$ 10,796
Salaries payable	3,445	-	3,445
Due to other funds	2,028	226	2,254
Due to other governments	11,753	-	11,753
Deferred revenue - unavailable	69,569	2,952	72,521
Deferred revenue - unearned	69,332	-	69,332
	\$ 166,923	\$ 3,178	\$ 170,101
 Fund Balances			
Reserved for gravel pit restoration	\$ 15,030	\$ -	\$ 15,030
Unreserved			
Designated for debt service	-	125,680	125,680
Undesignated	731,612	-	731,612
	\$ 746,642	\$ 125,680	\$ 872,322
Total Fund Balances	\$ 746,642	\$ 125,680	\$ 872,322
 Total Liabilities and Fund Balances	\$ 913,565	\$ 128,858	\$ 1,042,423

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue (Statement B-2)	Courthouse Improvement Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 261,025	\$ 299,399	\$ 560,424
Licenses and permits	600	-	600
Intergovernmental	412,047	48,725	460,772
Charges for services	269,087	-	269,087
Gifts and contributions	679	-	679
Miscellaneous	100,005	-	100,005
	\$ 1,043,443	\$ 348,124	\$ 1,391,567
Expenditures			
Current			
Sanitation	\$ 268,929	\$ -	\$ 268,929
Health	692,212	-	692,212
Conservation of natural resources	32,829	-	32,829
Debt service			
Principal	-	205,000	205,000
Interest	-	128,404	128,404
Administrative - fiscal charges	-	403	403
	\$ 993,970	\$ 333,807	\$ 1,327,777
Net Change in Fund Balance	\$ 49,473	\$ 14,317	\$ 63,790
Fund Balance - January 1	697,169	111,363	808,532
Fund Balance - December 31	\$ 746,642	\$ 125,680	\$ 872,322

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2009**

	Environmental	Gravel Tax Reserve	Public Health Nurse	Total (Statement A-1)
<u>Assets</u>				
Cash and pooled investments	\$ 300,570	\$ 14,324	\$ 411,206	\$ 726,100
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	2,063	-	3,701	5,764
Taxes receivable				
Current	15	-	1,828	1,843
Prior	17	-	1,230	1,247
Accounts receivable	7,429	2,707	11,859	21,995
Due from other funds	1,925	-	9,145	11,070
Due from other governments	-	-	140,546	140,546
	\$ 317,019	\$ 17,031	\$ 579,515	\$ 913,565
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 3,296	\$ -	\$ 7,500	\$ 10,796
Salaries payable	-	-	3,445	3,445
Due to other funds	337	-	1,691	2,028
Due to other governments	7,261	2,001	2,491	11,753
Deferred revenue - unavailable	6,214	-	63,355	69,569
Deferred revenue - unearned	69,332	-	-	69,332
	\$ 86,440	\$ 2,001	\$ 78,482	\$ 166,923
 Fund Balances				
Reserved for gravel pit restoration	\$ -	\$ 15,030	\$ -	\$ 15,030
Unreserved				
Undesignated	230,579	-	501,033	731,612
	\$ 230,579	\$ 15,030	\$ 501,033	\$ 746,642
 Total Liabilities and Fund Balances				
	\$ 317,019	\$ 17,031	\$ 579,515	\$ 913,565

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Statement A-2)</u>
Revenues				
Taxes	\$ 2,127	\$ 1,895	\$ 257,003	\$ 261,025
Licenses and permits	600	-	-	600
Intergovernmental	129,074	-	282,973	412,047
Charges for services	81,447	-	187,640	269,087
Gifts and contributions	-	-	679	679
Miscellaneous	91,875	-	8,130	100,005
Total Revenues	<u>\$ 305,123</u>	<u>\$ 1,895</u>	<u>\$ 736,425</u>	<u>\$ 1,043,443</u>
Expenditures				
Current				
Sanitation	\$ 268,929	\$ -	\$ -	\$ 268,929
Health	-	-	692,212	692,212
Conservation of natural resources	32,829	-	-	32,829
Total Expenditures	<u>\$ 301,758</u>	<u>\$ -</u>	<u>\$ 692,212</u>	<u>\$ 993,970</u>
Net Change in Fund Balance	<u>\$ 3,365</u>	<u>\$ 1,895</u>	<u>\$ 44,213</u>	<u>\$ 49,473</u>
Fund Balance - January 1	<u>227,214</u>	<u>13,135</u>	<u>456,820</u>	<u>697,169</u>
Fund Balance - December 31	<u>\$ 230,579</u>	<u>\$ 15,030</u>	<u>\$ 501,033</u>	<u>\$ 746,642</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,188	\$ 2,188	\$ 2,127	\$ (61)
Licenses and permits	1,000	1,000	600	(400)
Intergovernmental	98,212	98,212	129,074	30,862
Charges for services	85,000	85,000	81,447	(3,553)
Miscellaneous	165,000	165,000	91,875	(73,125)
Total Revenues	\$ 351,400	\$ 351,400	\$ 305,123	\$ (46,277)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 257,550	\$ 257,550	\$ 187,320	\$ 70,230
Recycling	136,000	136,000	81,609	54,391
Total sanitation	\$ 393,550	\$ 393,550	\$ 268,929	\$ 124,621
Conservation of natural resources				
Water planning	80,000	80,000	32,829	47,171
Total Expenditures	\$ 473,550	\$ 473,550	\$ 301,758	\$ 171,792
Net Change in Fund Balance	\$ (122,150)	\$ (122,150)	\$ 3,365	\$ 125,515
Fund Balance - January 1	227,214	227,214	227,214	-
Fund Balance - December 31	\$ 105,064	\$ 105,064	\$ 230,579	\$ 125,515

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 280,180	\$ 280,180	\$ 257,003	\$ (23,177)
Intergovernmental	217,437	217,437	282,973	65,536
Charges for services	237,719	237,719	187,640	(50,079)
Gifts and contributions	-	-	679	679
Miscellaneous	600	600	8,130	7,530
	<u>600</u>	<u>600</u>	<u>8,130</u>	<u>7,530</u>
Total Revenues	\$ 735,936	\$ 735,936	\$ 736,425	\$ 489
Expenditures				
Current				
Health				
Nursing service	735,936	735,936	692,212	43,724
	<u>735,936</u>	<u>735,936</u>	<u>692,212</u>	<u>43,724</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 44,213	\$ 44,213
Fund Balance - January 1	456,820	456,820	456,820	-
	<u>456,820</u>	<u>456,820</u>	<u>456,820</u>	<u>-</u>
Fund Balance - December 31	\$ 456,820	\$ 456,820	\$ 501,033	\$ 44,213
	<u>456,820</u>	<u>456,820</u>	<u>501,033</u>	<u>44,213</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 325,843	\$ 325,843	\$ 299,399	\$ (26,444)
Intergovernmental	24,231	24,231	48,725	24,494
Total Revenues	\$ 350,074	\$ 350,074	\$ 348,124	\$ (1,950)
Expenditures				
Debt service				
Principal	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest	128,404	128,404	128,404	-
Administrative (fiscal) charges	16,670	16,670	403	16,267
Total Expenditures	\$ 350,074	\$ 350,074	\$ 333,807	\$ 16,267
Net Change in Fund Balance	\$ -	\$ -	\$ 14,317	\$ 14,317
Fund Balance - January 1	111,363	111,363	111,363	-
Fund Balance - December 31	\$ 111,363	\$ 111,363	\$ 125,680	\$ 14,317

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FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 46,182	\$ 27,474	\$ 18,028	\$ 55,628
Due from other governments	1,078	109	1,078	109
Total Assets	\$ 47,260	\$ 27,583	\$ 19,106	\$ 55,737
<u>Liabilities</u>				
Due to other governments	\$ 47,260	\$ 27,583	\$ 19,106	\$ 55,737
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,685	\$ 452,979	\$ 463,407	\$ 10,257
<u>Liabilities</u>				
Due to other funds	\$ 621	\$ 4,049	\$ 4,358	\$ 312
Due to other governments	20,064	448,930	459,049	9,945
Total Liabilities	\$ 20,685	\$ 452,979	\$ 463,407	\$ 10,257

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Statement C-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 126,331	\$ 3,370,826	\$ 3,405,200	\$ 91,957
<u>Liabilities</u>				
Due to other governments	\$ 60,507	\$ 3,337,290	\$ 3,339,376	\$ 58,421
Funds held in trust	65,824	33,536	65,824	33,536
Total Liabilities	\$ 126,331	\$ 3,370,826	\$ 3,405,200	\$ 91,957
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 193,198	\$ 3,851,279	\$ 3,886,635	\$ 157,842
Due from other governments	1,078	109	1,078	109
Total Assets	\$ 194,276	\$ 3,851,388	\$ 3,887,713	\$ 157,951
<u>Liabilities</u>				
Due to other funds	\$ 621	\$ 4,049	\$ 4,358	\$ 312
Due to other governments	127,831	3,813,803	3,817,531	124,103
Funds held in trust	65,824	33,536	65,824	33,536
Total Liabilities	\$ 194,276	\$ 3,851,388	\$ 3,887,713	\$ 157,951

OTHER SCHEDULES

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 8

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Interest-bearing checking	Two	Various	Continuous	\$ 553,328
Certificates of deposit	Three	1.00 to 3.00	December 31, 2010 to July 10, 2011	62,830
Money market savings	Two	Variable	Continuous	1,155,811
Brokerage certificates of deposit	Thirteen	0.41 to 4.10	February 11, 2010 to April 25, 2011	1,249,207
Minnesota Association of Governments Investing for Counties Fund		Variable	Continuous	1,518,237
Federal National Mortgage Association	Two	2.00	July 7, 2014 to January 15, 2015	445,657
Federal Home Loan Mortgage Corporation	Two	1.00 to 2.00	April 28, 2014 to December 24, 2014	374,710
Federal Home Loan Bank		2.00	December 8, 2017	<u>99,406</u>
Total Cash and Pooled Investments				<u>\$ 5,459,186</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2009**

	Assets						Total
	Cash	Undistributed Cash	Special Assessments Receivable			Total	
			Current	Delinquent	Deferred		
County Ditches							
1A	\$ 23,724	\$ 12	\$ -	\$ -	\$ 87,508	\$ 111,244	
1B	20,611	-	-	-	127,598	148,209	
1C	4,238	-	-	-	5,000	9,238	
2	19,392	2,017	19	-	30,000	51,428	
3	29,984	152	152	4	-	30,292	
4	5,880	40	340	-	-	6,260	
6	17,832	149	20	-	75,001	93,002	
7	7,448	-	-	-	-	7,448	
12	7,323	-	-	19	-	7,342	
15	5,326	-	-	-	-	5,326	
23	5,179	-	-	-	70,001	75,180	
27	1,374	-	-	-	8,000	9,374	
28	2,439	-	-	-	5,000	7,439	
29	17,378	-	-	-	56,781	74,159	
31	12,637	-	-	-	-	12,637	
34	4,093	-	59	-	-	4,152	
37	8,898	-	-	-	70,001	78,899	
Bois De Sioux Watershed							
9	-	-	-	-	2,801	2,801	
20	-	-	-	-	3,996	3,996	
25	-	249	9	-	13,200	13,458	
35	-	24	-	-	2,600	2,624	
39	-	-	134	-	6,600	6,734	
Buffalo-Red River Watershed							
22	-	266	-	-	15,001	15,267	
26	-	-	-	5	-	5	
40	-	564	18	-	15,001	15,583	
41	-	386	2	-	5,002	5,390	
43	-	648	9	7	8,245	8,909	
44	-	127	-	-	7,860	7,987	
Joint Ditches							
County							
J-2	23,362	-	-	-	-	23,362	
Bois De Sioux Watershed							
J-3	-	-	-	2	-	2	
J-6	-	36	-	-	2,213	2,249	
J-7	-	5	-	-	3,802	3,807	
J-11	-	55	6	-	10,907	10,968	
Sub-drainage Ditch 1	-	194	6	-	-	200	
Buffalo-Red River Watershed							
J-1	-	188	-	-	14,253	14,441	
Total	\$ 217,118	\$ 5,112	\$ 774	\$ 37	\$ 646,371	\$ 869,412	

Schedule 9

Liabilities							Fund Balances	Total Liabilities and Fund Balances
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Advance from Other Funds	Total	Fund Balances		
\$ 910	\$ 26,035	\$ 375	\$ 87,507	\$ 104,000	\$ 218,827	\$ (107,583)	\$ 111,244	
-	23,604	375	127,597	130,800	282,376	(134,167)	148,209	
-	4,024	-	5,000	1,200	10,224	(986)	9,238	
-	2,758	-	30,000	-	32,758	18,670	51,428	
-	2,310	-	118	-	2,428	27,864	30,292	
-	2,728	-	340	-	3,068	3,192	6,260	
-	1,310	-	75,021	-	76,331	16,671	93,002	
-	-	-	-	-	-	7,448	7,448	
-	329	-	19	-	348	6,994	7,342	
-	-	-	-	-	-	5,326	5,326	
-	5,129	-	70,001	3,000	78,130	(2,950)	75,180	
-	4,303	-	8,000	3,500	15,803	(6,429)	9,374	
-	2,127	-	5,001	1,000	8,128	(689)	7,439	
-	17,320	-	56,782	65,500	139,602	(65,443)	74,159	
-	1,799	-	-	-	1,799	10,838	12,637	
-	907	-	-	-	907	3,245	4,152	
-	-	-	70,000	-	70,000	8,899	78,899	
-	-	-	2,801	-	2,801	-	2,801	
-	-	-	3,996	-	3,996	-	3,996	
-	-	249	13,209	-	13,458	-	13,458	
-	-	24	2,600	-	2,624	-	2,624	
-	-	-	6,734	-	6,734	-	6,734	
-	-	266	15,001	-	15,267	-	15,267	
-	-	-	5	-	5	-	5	
-	-	564	15,019	-	15,583	-	15,583	
-	-	386	5,004	-	5,390	-	5,390	
-	-	648	8,261	-	8,909	-	8,909	
-	-	127	7,860	-	7,987	-	7,987	
-	83	-	-	-	83	23,279	23,362	
-	-	-	2	-	2	-	2	
-	-	36	2,213	-	2,249	-	2,249	
-	-	5	3,802	-	3,807	-	3,807	
-	-	55	10,913	-	10,968	-	10,968	
-	-	194	2	-	196	4	200	
-	-	-	-	-	-	-	-	
-	-	188	14,253	-	14,441	-	14,441	
\$ 910	\$ 94,766	\$ 3,492	\$ 647,061	\$ 309,000	\$ 1,055,229	\$ (185,817)	\$ 869,412	

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 3,108,955
County program aid	350,969
PERA rate reimbursement	14,877
Disparity reduction credit	60,281
Police aid	37,131
Market value credit	386,369
Market value credit - MH	2,780
Disparity reduction aid	10,351
Border cities reimbursement	9,283
	\$ 3,980,996
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 188,606
Payments	
Local	
Otto Bremer Grant	\$ 33,936
Payments in lieu of taxes	31,264
	\$ 65,200
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 12,602
Public Safety	437,430
Health	51,965
Natural Resources	4,514
Human Services	328,178
Veterans Affairs	3,000
Transportation	81,014
Water and Soil Resources	72,865
Pollution Control Agency	55,475
Peace Officer Standards and Training Board	2,378
	\$ 1,049,421

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

***Schedule 10
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds
Grants (Continued)	
Federal	
Department of Transportation	\$ 1,549
Health and Human Services	678,061
Agriculture	77,368
Homeland Security	1,203,940
	<hr/>
Total Federal	\$ 1,960,918
	<hr/>
Total State and Federal Grants	\$ 3,010,339
	<hr/>
Total Intergovernmental Revenue	\$ 7,245,141
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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 11

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Wilkin County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Wilkin County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Wilkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Wilkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA #97.036
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wilkin County was not determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of personnel within several Wilkin County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Wilkin County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend that Wilkin County's management be aware of the absence of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Client's Response:

Total compliance is not economically feasible for Wilkin County. The County Commission is aware of the risk and is prepared to assume said risk.

06-1 Preparation of Financial Statements

Wilkin County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Wilkin County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements. The County provides a modified accrual general ledger and other supporting schedules used for the preparation of the fund level and government-wide financial statements, but rely on its external auditors for the preparation of the basic financial statements, including notes to the financial statements. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control.

We recommend Wilkin County continue to obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP.

Client's Response:

The recommendation is under consideration by the County.

07-1 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

During our audit, we identified an adjustment in the Environmental Special Revenue Fund to defer a Clean Water Legacy Grant in the amount of \$69,332. This grant was received in 2009 but not earned until 2010.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements.

We recommend the County establish procedures for monitoring and reporting advance payments of grants to ensure the revenue is reported in the correct year.

Client's Response:

The County will work toward complying with the stated recommendation.

08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing;
- payroll; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

The County will begin development of a plan.

08-2 Gravel Stockpile Inventory

The Wilkin County Highway Department maintains a perpetual inventory system of parts, fuel, field materials, and other supplies. Each year, Highway Department employees count inventory items including parts, fuel, and certain field materials such as culverts, signs, and sign materials. In 2009, Highway Department employees measured 3 of the 18 stockpiles of gravel inventory. Although this is an improvement over previous years, the 3 stockpiles measured make up only about 9 percent of the total valuation of gravel stockpile inventory. At December 31, 2009, gravel stockpile inventory made up 92 percent of the Highway Department's total inventory.

The County's gravel stockpiles are located at several locations. The valuation for each stockpile is the purchase price of the gravel plus any internal labor or equipment costs associated with the gravel stockpiles, less the loads charged to the project based on haul sheets.

The effect of not taking an inventory of the gravel stockpiles is an increased risk that the inventory reported may be misstated.

To improve control over gravel stockpile inventory, gravel should be periodically measured and compared to the costing system. This comparison would ensure that errors are detected timely and that haul sheets are filled out correctly and on a regular basis.

We recommend the County continue to implement procedures to measure the gravel stockpiles and compare the quantity to the inventory system at least once a year. If the measurement is significantly different from the inventory system, the system should be adjusted to the actual measurement.

Client's Response:

The Wilkin County Highway Department had an extremely busy fall with all of the excessive rains. There was not enough time to survey all of the stockpiles. The stockpiles cannot be surveyed after the cold weather sets in due to safety concerns. Every possible effort will be made to survey the piles in the future.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-3 Forfeited Land Sale Distribution

Wilkin County has not distributed the net collections on forfeited land sales for 2003, 2004, 2005, 2007, and 2008. The net cash balance from forfeited land sales at December 31, 2009, was \$55,307. There were no revenues from forfeited land sales in 2006 and 2009.

Under Minn. Stat. § 282.09, the County Auditor shall make an annual settlement of the net proceeds received on the settlement day determined in Minn. Stat. § 276.09 for the preceding calendar year. The settlement date is May 20, or 26 days after the postmark date on the envelopes containing real or personal property tax statements. Minn. Stat. § 276.09.

We recommend that Wilkin County settle the net proceeds from 2008 and prior along with its October 2010 settlement. In addition, we recommend Wilkin County comply with provisions of Minn. Stat. §§ 282.09 and 276.09 on all future forfeited land sales.

Client's Response:

The special settlement will be completed in June 2010.

ITEM ARISING THIS YEAR

09-1 Acceptance of Donation

On August 27, 2009, the County receipted a \$600 donation from the Red River Sportsmen's Club for the purchase of trees for the County park. A resolution by the Board approving the acceptance of the donation, including the terms prescribed by the donor, could not be located in the official minutes.

Gifts to municipalities, Minn. Stat § 465.03, states that “any city, county, school district, or town may accept a grant or devise of real or personal property and maintain such property for the benefit of its citizens in accordance with the terms prescribed by the donor. . . . Every such acceptance shall be by resolution of the governing body adopted by a two-thirds majority of its members, expressing such terms in full.”

We recommend that the County Board formally accept the donation and be aware of this requirement in the future should more donations be made to the County.

Client’s Response:

The County Commission will formally accept any future donations received.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

09-2 Ditch Fund Balance Deficits

Seven of the 35 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2009, totaling \$318,247, the largest being \$134,166. These seven ditch deficits combined with the remaining ditch systems leave the Ditch Special Revenue Fund with a total deficit fund balance of \$185,817. Four of the ditch systems have sufficient current levies to cover the deficits, however, three of the ditch systems do not.

As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

The Board of Commissioners has placed assessments on the ditch systems to cover all deficits. The emergency work that needed to be done on the ditches could not wait until the funds were in place. We have now totally changed this procedure for cleaning ditches, and the funds will be in place on all future projects as the work is being completed.

PREVIOUSLY REPORTED ITEM RESOLVED

Road and Bridge Special Revenue Fund Balance Deficit (08-3)

At December 31, 2008, the Road and Bridge Special Revenue Fund had a fund balance deficit of \$104,914.

Resolution

At December 31, 2009, the Road and Bridge Special Revenue Fund had a positive fund balance of \$1,237,113.

C. **OTHER ITEM FOR CONSIDERATION**

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (for example, corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Wilkin County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wilkin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-4, 06-1, 07-1, 08-1, and 08-2, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilkin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Wilkin County has no tax increment financing districts.

The results of our tests indicate that, for the items tested, Wilkin County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 07-3 and 09-1.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to Wilkin County, and they are reported for that purpose.

Wilkin County's written responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Wilkin County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 8, 2010

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Wilkin County

Compliance

We have audited the compliance of Wilkin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. Wilkin County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Wilkin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

Management of Wilkin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 8, 2010. Our audit was performed for the purpose of forming opinions on Wilkin County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 8, 2010

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 44,191
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants Cluster		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	34,129
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) -- ARRA	10.561	<u>1,161</u>
Total U.S. Department of Agriculture		<u>\$ 79,481</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	\$ 328
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>1,221</u>
Total U.S. Department of Transportation		<u>\$ 1,549</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	<u>\$ 7,124</u>
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 79,632
Passed Through Minnesota Department of Health and West Central Area Agency on Aging		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	15,250
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
Public Health Emergency Preparedness	93.069	27,190
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	21,377
Temporary Assistance for Needy Families (TANF)	93.558	913
Maternal and Child Health Services Block Grant to the States	93.994	11,212

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	3,938
Temporary Assistance for Needy Families (TANF)	93.558	79,555
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	143,304
Child Support Enforcement -- ARRA	93.563	15,959
Refugee and Entrant Assistance - State-Administered Programs	93.566	89
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,473
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	81,848
Foster Care Title IV-E -- ARRA	93.658	7,360
Social Services Block Grant	93.667	59,692
Chafee Foster Care Independence Program	93.674	3,560
Medical Assistance Program	93.778	125,579
Block Grants for Community Mental Health Services	93.958	567
Total U.S. Department of Health and Human Services		<u>\$ 680,498</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 1,218,664
Hazard Mitigation Grant	97.039	6,906
Emergency Management Performance Grants	97.042	24,833
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	1,387
Total U.S. Department of Homeland Security		<u>\$ 1,251,790</u>
Total Federal Awards		<u><u>\$ 2,020,442</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Wilkin County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wilkin County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wilkin County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,960,918
Grants received in 2006, recognized in 2009	
Help America Vote Act Requirements Payments	7,124
Grants received more than 60 days after year-end deferred in 2009	
Special Supplemental Nutrition Program for Women, Infants, and Children	2,113
Centers for Disease Control and Prevention - Investigations and Technical Assistance	10,198
Temporary Assistance for Needy Families	245
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	35,165
Emergency Management Performance Grants	12,685
Grants deferred in 2008, recognized as revenue in 2009	
Medical Assistance Program	(8,006)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 2,020,442

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Subrecipients

Wilkin County did not pass any federal awards through to subrecipients in 2009.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.